

July 10, 2006

VIA ELECTRONIC FILING

The Honorable Charles L. A. Terreni
Chief Clerk and Administrator
The Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RE: Docket No. 2005-48-E
REQUEST FOR CHANGES TO SCHEDULES AND APPROVAL BY AUGUST 9, 2006:
Schedule HP-X (SC), Hourly Pricing for Incremental Load, and
Schedule HP-Flex (SC), Hourly Pricing, Flexible Baseline (Pilot).

Dear Mr. Terreni:

Duke Power Company LLC d/b/a Duke Energy Carolinas, LLC ("Duke Energy Carolinas"), through counsel, submits for electronic filing, the following Request for approval by the Public Service Commission of South Carolina ("Commission") to make changes to the Minimum Bill and Power Factor Adjustment provisions of Schedule HP-X (SC), Hourly Pricing for Incremental Load and Schedule HP-Flex (SC), Hourly Pricing, Flexible Baseline (Pilot).

Duke Energy Carolinas respectfully requests approval of this request by August 9, 2006, with an effective date not later than October 1, 2006 in order to provide the time required to make programming changes to Duke Energy Carolinas' billing system to implement the proposed rate revisions.

The provision for a minimum bill is intended to ensure that Duke Energy Carolinas sufficiently recovers its investment in electric plant installed to provide electric service at the contract demand level of a particular customer. Duke Energy Carolinas has determined that the minimum bill provision included in its new HP-Flex schedule does not appropriately meet this objective in that, as currently designed, it invokes a minimum bill amount too frequently. Duke Energy Carolinas proposes to correct this flaw and to refund any amounts collected under the current provision of HP-Flex that exceed the proposed new provision. Currently one customer has taken service under HP-Flex and would receive a refund.

Price response is a key attribute of hourly pricing rates. As part of revising the minimum bill provision, Duke Energy Carolinas proposes that the HP-X and the HP-Flex tariffs have identical minimum bill provisions and that the minimum bill be assessed on an annual basis in order to lessen negative impacts of a minimum bill on a customer's price responsiveness. In addition, the use of an annual minimum will benefit customers by allowing months of low demand charges to potentially be offset by months of higher demand charges within a 12 month period.

Under the proposed minimum bill design, the charges under the HP-X and HP-Flex schedules that recover fixed costs will be compared to an annual minimum demand charge in order to determine an annual minimum billing amount. Specifically, the sum of annual CBL Demand charges, Incremental Demand charges, Standby Charges and Contributions to Fixed Cost/Incentive Margin charges will be compared to an annual minimum demand charge amount. This annual minimum demand charge amount will equal the maximum CBL demand KW multiplied by \$17.88, plus the excess of Contract Demand KW over maximum CBL demand KW multiplied by \$3.00. These rates are based on existing monthly demand rates in approved Duke Energy Carolinas rate schedules. Specifically, both \$1.49 for baseline demand and \$0.25 for incremental demand are multiplied by 12 resulting in the \$17.88 and \$3.00 used to compute annual rates.

In addition to revising the Minimum Bill provisions, Duke Energy Carolinas also proposes to revise the Power Factor Correction provisions in the HP-X and HP-Flex schedules to benefit customers who operate generation in parallel with Duke Energy Carolinas. Currently, the tariffs assess and apply power factor penalty adjustments on an hourly basis. In hours where power factor is below 85% a change is made to increase Incremental Demand. In hours where power factor is above 85% no change is made. Duke Energy Carolinas proposes to modify this calculation to compute the Power Factor adjustment based on the average power factor for the billing month, rather than for each hour. This modification will allow customers to benefit by potentially offsetting hours when power factor is below 85% with hours when power factor is above 85%.

Finally, while preparing revisions to the tariff language to accommodate the changes related to Minimum Bill and Power Factor, Duke Energy Carolinas became aware that in a prior change to the HP-X tariff some wording was inadvertently deleted from the tariff. Duke Energy Carolinas proposes to update the language related to the Incentive Margin provision of HP-X to correct this past omission.

The proposed revisions to Schedules HP-X (SC), Hourly Pricing for Incremental Load and HP-Flex (SC), Hourly Pricing, Flexible Baseline (Pilot) provide greater operating flexibility for customers and are attached for Commission approval.

We will hand deliver an original and one copy of this correspondence and schedules, as currently required by the Commission's e-filing protocol. The South Carolina Office of Regulatory Staff ("ORS") will also be provided with a copy of this transmittal letter and schedules.

If you have any questions or concerns please do not hesitate to contact the undersigned.

Respectfully Submitted,

Lara Simmons Nichols
Associate General Counsel
Duke Energy Carolinas Law Department

/S/
William F. Austin
Richard L. Whitt
Austin, Lewis & Rogers, P.A.
(803) 251-7442

RLW/kmb

CC: John Flitter
A.R. Watts
Nanette Edwards, Esquire
(All of the South Carolina ORS)
(all w/ enclosures)

Attorneys for Duke Energy Carolinas